



Fact Sheet: Gender Lens Investing - Working with Investment Managers

September 2021

There are many ways foundations can incorporate gender lens investing (GLI) into their Investment Policy Statement in both simple and sophisticated ways, as the following suggestions show.

GLI is an investing strategy that takes into consideration gender-based factors across the investment process to advance gender equity. Taking a gender lens means:

- Focusing on gender, from pre-investment activities (such as sourcing and due diligence) to post-deal monitoring (including manager oversight and exiting)
- Examining the enterprises you are invested in for their:
 - Vision or mission to address gender issues
 - Organizational structure, culture, internal policies and workplace environment
 - Use of data and metrics for the gender-equitable management of performance and to incentivize behavioural change and accountability
 - Overall commitment to gender equity, as reflected in their financial and human resources

Gender is part of a larger conversation about diversity that is essential to investment. Traditionally, the focus of GLI has been on women's equality and empowerment. Contemporarily, we understand that gender refers to both a biological and a socially constructed identity. Consideration of gender includes looking at the socially constructed roles, relationships and expectations of all genders and the ways that these are reinforced by educational, political, economic and cultural systems.



Assessing an Investment Manager

Discussions with your investment manager will help you understand the degree to which they consider gender equity in their investment analysis, and their current GLI practices, views, expertise and goals. Such discussions can happen when you are searching for a new investment manager or during a standard review of an existing relationship.

Oversight and Collaboration are Key

By gaining more insight into GLI with your investment managers, investment committees will be better equipped to provide investment oversight. The best performing investment committee recognizes its primary role is one of governance, not investing. The committee is there to ensure that those responsible for investing the institution's assets are doing so in compliance with the agreed investment policy or strategy.

With the growth in the impact investment space, many investment managers are changing their policies and approaches. Working with your investment managers should help to build a committed and inclusive culture and help you find managers eager to learn and collaborate with clients and industry leaders, to share best practices and further their GLI knowledge. Asset owners can create urgency and increase the pace of change by prioritizing ongoing engagement on GLI.

Here are some considerations that can be used to evaluate an investment manager's GLI alignment. GLI should be used in conjunction with your existing ESG considerations and in addition to financial performance, risk management, and cost structure to provide a holistic assessment.

Firm and Management

- What is the investment/social philosophy [**ethos**] of the firm? What are the core beliefs that underlie this philosophy? And how is that ethos integrated into investment analysis, decisions, policies and legal documentation?
- What is the role of gender equity within the firm? Does the firm have a policy on gender or equity?
- What are the firm's future growth plans? How do they ensure these do not conflict or reduce the effectiveness and impact of existing performance?



- How diverse is the investment manager's team, senior staff, investment committee and board? How has team diversity evolved and what are the practices for including diversity in hiring rounds? What are the gender balance and power dynamics within the manager's team?

Strategy and Performance

- How is gender equity incorporated into the firm's investment process?
- Does the firm take advantage of shareholder engagement opportunities? For example, is gender equity explicitly considered in its proxy voting policy?
- Is positive and negative screening utilized? If yes, what categories are being screened?
- How does the firm treat a well-performing stock with a history of gender related controversies?
- How are gender equity factors incorporated in the portfolio construction process?
- How are the investment team incentivized to integrate gender equity factors into investment decisions?
- Does the manager take a long-term view to assess the impact of investment decisions on gender and society? How does the portfolio construction process resist short-term pressures?

Screens

Investment managers use screening to determine which companies, sectors or activities are eligible or ineligible for a specific portfolio. Investors can use a wide range of gender benchmarks to help screen.

- GLI benchmarks regarding workplace equity
 - Percentage of female equity ownership
 - Gender Wage Equity – track record of equal pay
 - Gender diversity on management teams or on boards
 - Percentage of women internally promoted
 - Implementation of anti-bias training
 - Policies and commitments to advancing gender equity and ensure equal employment opportunity
 - Track record of incidents of discrimination
- GLI benchmarks regarding the impact of goods and services. These are more industry specific but here are a few examples:
 - Health: number of women accessing female-focused healthcare over time
 - Financial Inclusion: number of women approved for a business loan over time
 - Education and Employment: number of women recertified for professional employment over time



Impact Measurement

- What frameworks are used to measure positive societal impact, and how do they incorporate gender?
- What is the process for determining materiality and calculating potential investment impacts and real-world impacts in the short, medium, and long terms?
- What criteria does the firm use to assess the impact on gender disparity of prospective investments?
- What actions are taken to address negative impacts on gender disparity of portfolio securities?

These gender-lens investing guides were jointly created by Rally Assets and Community Foundations of Canada.

